

February 22, 2005

U.S. Generosity Leads the World

The Truth About U.S. Foreign Assistance

Executive Summary

- The United States is the world's largest donor of official development assistance (ODA).
- U.S. ODA disbursements increased from \$10 billion in 2000 to \$16 billion in 2003, and are estimated to have increased to \$19 billion in 2004. This number does not include the \$18 billion in supplemental funding already provided for reconstruction efforts in Iraq and Afghanistan.
- Since 1998, the pattern for the United States has been one of steadily higher annual real increases in ODA disbursements, while most non-U.S. donors trend downward during this same period.
- The United States is the single largest contributor to all of the major international development organizations, including the United Nations itself.
- In order to appreciate the enormity of American charity, one needs to look at the totality of public-, private-, and corporate-sector aid, including nongovernmental organizations and other forms of charity, which contribute nearly \$34 billion per year in international assistance annually.
- In 2004, personal remittances, net private investment, and NGO grants, all of which are considered non-trade financial flows, totaled \$48 billion, nearly three times the size of U.S. ODA.
- Other crucial components of U.S. non-ODA foreign aid include the hundreds of millions spent annually on providing U.S. military support and assistance during disaster recovery and humanitarian relief missions and the billions of dollars earned by developing nations that have preferential trade access to U.S. markets.
- Arguably, without the U.S. military serving as the world's "UPS" to deliver humanitarian supplies and soldiers to assist in overseas disaster zones, the international community would be hard pressed to be able to respond as quickly as it has in the past.
- Private American citizens, through a variety of different venues, have donated nearly \$700 million to the tsunami relief effort.

Introduction

In recent weeks the tsunami relief effort has served as a catalyst for an examination of U.S. foreign aid. In the initial aftermath of the Southeast Asia tsunami, countless appeals were heard for governments to donate to various relief funds. During this time, Jan Egeland, the U.N. Undersecretary General for Humanitarian Affairs, bitterly complained about the pledges of aid to the tsunami victims, and he called on nations to give more. It was during this time that Egeland blasted Western nations for being “stingy” in how much overall foreign aid they give annually.¹

In fact, the United States is the world’s largest donor of official development assistance (ODA). U.S. ODA disbursements increased from \$10 billion in 2000 to \$16 billion in 2003, and are estimated to have increased to \$19 billion in 2004.² (This number does not include the \$18 billion in supplemental funding provided in October 2003 for reconstruction efforts in Iraq and Afghanistan.) The State Department finds that U.S. ODA has risen faster over the last four years than at any time since the Marshall Plan was used in the late 1940s to rebuild war-torn Europe.³ On February 14, President Bush submitted to Congress the FY05 supplemental budget request. Included in this was the formal funding request for \$950 million in assistance for the victims of the tsunami disaster. In addition to this, private American citizens, through a variety of different venues, have donated nearly \$700 million to the tsunami relief effort — and pledges are still being made.⁴

Arguably more important is the fact that the United States leads the world in non-ODA foreign aid. Through nongovernmental organizations, corporations, and individuals, the United States contributes nearly \$34 billion per year in international assistance.⁵ Other crucial components of U.S. non-ODA foreign aid include the hundreds of millions spent each year on providing U.S. military support and assistance during disaster recovery and humanitarian relief missions and the billions of dollars earned by developing nations that have preferential trade access to U.S. markets.

This paper will examine the reality of America’s foreign assistance donations, both through formal governmental channels and through private and corporate giving. The paper will show that the United States provides more foreign assistance than any other country in the world, and the total of all the assistance equals tens of billions of dollars annually.⁶ Finally, the paper will demonstrate that America’s foreign aid, both from governmental and more so from nongovernmental sources, continues to grow.

¹ *Washington Times*, “U.N. Official Slams U.S. as ‘Stingy’ Over Aid,” December 28, 2004. Egeland based his comments on recent Organization for Economic Cooperation and Development (OECD) reports, which suggested that wealthy countries such as the United States, Japan, Germany, and the United Kingdom spend relatively little on a per capita basis for foreign aid. See Organization for Economic Cooperation and Development, “Table 7—Burden Sharing Indicators,” *Statistical Annex of the 2004 Development Cooperation Report*, available at www.oecd.org/docs/stats/dac/dcrannex.

² U.S. Department of State, “Fact Sheet: U.S. Nearly Doubles Foreign Aid,” January 25, 2005.

³ U.S. Department of State, January 25, 2005.

⁴ The White House, “Fact Sheet: Continuing Support for Tsunami Relief,” February 9, 2005.

⁵ Remarks by Undersecretary of State Paula Dobriansky, “International Philanthropy,” January 18, 2003.

⁶ U.S. Agency for International Development, “Foreign Aid in the National Interest,” July 2003.

What's Included in Official U.S. Foreign Aid?

There are five major categories of foreign aid: bilateral development aid, economic assistance supporting U.S. political and security goals, humanitarian aid, multilateral economic contributions, and military aid.⁷ As the Congressional Research Service has noted, due largely to the implementation of two new foreign aid initiatives — the Millennium Challenge Account (MCA) and the Global AIDS Initiative — bilateral development assistance has become the largest category of U.S. aid.

The President's new Millennium Challenge Account Initiative received \$1 billion in FY 2004 and an additional \$1.5 billion in FY 2005 to reward developing countries that rule justly, foster economic freedom, and invest in their people. In 2004, 17 countries were invited to submit proposals for MCA assistance.⁸ President Bush's Emergency Plan for AIDS Relief will increase funding to fight the pandemic in more than 100 countries worldwide. The United States provided \$2.4 billion for global AIDS in 2004.⁹

The U.S. Agency for International Development (USAID) manages the bulk of bilateral economic assistance; the Treasury Department handles most multilateral aid; and the Department of Defense (DOD) and the State Department administer military and other security-related programs.

In 2005, the United States will provide foreign assistance to approximately 150 countries.¹⁰ Some countries that are the focus of the 5-year, \$15 billion HIV/AIDS initiative are also among the leading recipients.

In the FY06 Administration budget request, the President has sought an increase of more than \$3 billion, with half of this increase to support the Millennium Challenge Account Initiative. The monies are to: support freedom, democracy, and economic opportunity in Iraq and Afghanistan; provide support to U.S. coalition partners; improve the peacekeeping capabilities of other nations; and encourage the spread of democracy and freedom around the world necessary to thwart terrorism's advance.¹¹

What's *Not* Included in Official U.S. Foreign Aid?

While the overall figure for ODA is impressive, it does not tell the whole story of U.S. foreign assistance. In fact, in order to appreciate the enormity of American charity, one needs to look at the totality of public-, private-, and corporate-sector aid, including nongovernmental organizations and other forms of charity. The State Department finds that Americans privately give at least \$34 billion overseas annually.¹² As the U.S. Agency for International Development

⁷ Congressional Research Service, "Foreign Aid: An Introductory Overview of U.S. Programs and Policy," January 19, 2005.

⁸ U.S. Department of State, "Fact Sheet: U.S. Nearly Doubles Foreign Aid," January 25, 2005.

⁹ U.S. Department of State, January 25, 2005.

¹⁰ Congressional Research Service, January 19, 2005.

¹¹ Office of Management and Budget, "FY 2006 Budget Fact Sheet: Diplomacy and International Assistance," February 7, 2005.

¹² Remarks by Undersecretary of State Paula Dobriansky, "International Philanthropy," January 18, 2003. According to Undersecretary Dobriansky, in 2002, U.S. foundations gave close to \$2 billion a year for international activities. Corporate philanthropy provides nearly \$3 billion more. NGOs are responsible for an impressive \$6.6

(USAID) has stated, the United States is “the clear leader in all measures of private assistance in the developing world. . . . ODA fails to reflect the full measure of U.S. commitment, because it does not include private capital flows — the most important measure of sustainable development.”¹³

There is additional crucial, specific data that must also be included when considering overall U.S. foreign assistance. This data includes personal remittances, net private investment, and NGO grants, all of which are considered non-trade financial flows. It is estimated that in 2004 alone, these non-trade financial flows totaled some \$48 billion, nearly three times the size of U.S. ODA.¹⁴ In 2003, net private investment flows were estimated at \$14 billion, and private NGO grants were \$6 billion.¹⁵

Remittances. A significant and growing portion of indirect U.S. foreign aid is found in remittances, monies that immigrants send to families back home in their native countries. According to Undersecretary of State Paula Dobriansky, in 2002, the “leading source of [U.S. international] philanthropy” came from personal remittances, which accounted for some \$18 billion.”¹⁶ In 2003, the State Department estimated that personal remittances increased to \$28 billion.¹⁷ While the U.S. government plays no formal role in the remittances transactions, changes in U.S. immigration and commerce laws have allowed monies to leave the United States with great ease and without taxation.

Preferential Access to U.S. Markets. The granting through trade agreements to many developing nations preferential access to U.S. markets to allow products and people to generate revenue and learn skills to better themselves and their economies is also a large portion of indirect U.S. foreign aid. According to U.S. Trade Representative’s office, preference programs are tools that the U.S. government uses to assist countries, usually in the developing world, and are provided through an enhanced trading relationship with the United States.¹⁸ The Generalized System of Preferences, which was founded in 1976, offers duty-free treatment for more than 4,650 products from 144 designated countries and territories throughout the world. In 2003, U.S. net good imports from developing countries were \$354 billion.¹⁹

Military Support. An often overlooked category of foreign assistance includes the value of military aid provided annually in the form of logistic support during disaster relief recovery operations, as well as the overall expense of our military commitment to keep open sea lanes for world commerce and provide a security blanket in Europe (through NATO) and the Asia-Pacific

billion in grants, goods, and volunteers. Religious ministries and college scholarships account for another \$4.7 billion.

¹³ U.S. Agency for International Development, “Foreign Aid in the National Interest,” July 2003.

¹⁴ U.S. Department of State, “The U.S. Perspective on Financing for Development – Lasting Results,” October 15, 2004.

¹⁵ U.S. Department of State, October 15, 2004. Net private investment flows differ from foreign direct investment (FDI) flows because they not only net FDI flows, but also net long-term bank lending and other private securities and claims.

¹⁶ Dobriansky.

¹⁷ U.S. Department of State, October 15, 2004.

¹⁸ See U.S. Trade Representative, “U.S. Generalized System of Preferences Guidebook,” published in March 1999, or see brief description at http://www.ustr.gov/Trade_Development/Preference_Programs/Section_Index.html.

¹⁹ U.S. Department of State, October 15, 2004.

region. American military presence (as well as training and operations) in key regions provides security, deterrence, and the kind of stability that allows for development.

Military Assistance. Arguably, without the U.S. military serving as the world's "UPS" to deliver humanitarian supplies and soldiers to assist in overseas disaster zones, the international community would be hard pressed to be able to respond as quickly as it has in the past. Often, this is support that no other country can provide because of America's unique air lift, sea lift, and rapid response capabilities. An example of this can be seen in the recent tsunami relief efforts. The U.S. military played a major role (and still does) in delivering relief supplies, providing reconstruction assistance, and offering other forms of support. The President dispatched more than 40 U.S. military cargo and patrol aircraft, re-directed a Marine expeditionary unit and a carrier task force to the region, and deployed several hundred U.S. military personnel to assist with efforts on the ground. Total U.S. military personnel involved in disaster assistance was well over 12,000 people. The U.S. military allows us to contribute in ways no other country can.

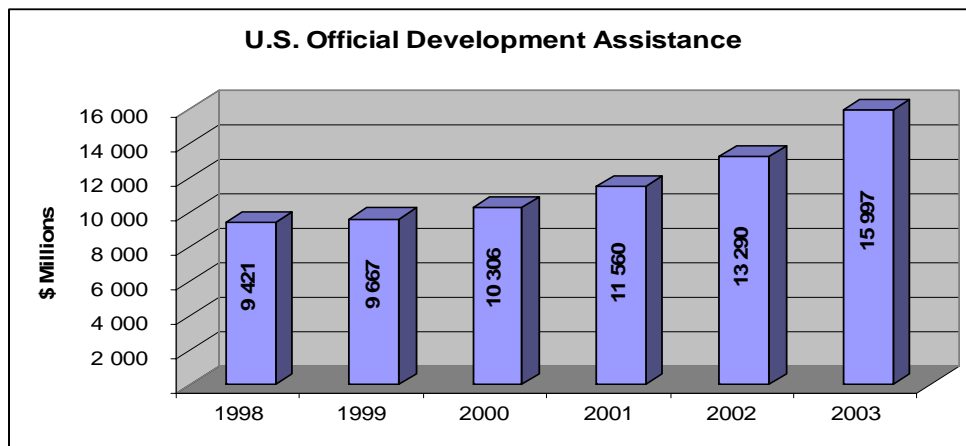
However, using the U.S. military's assets for such operations is not without cost. For example, \$226 million of the \$950 million for tsunami relief in the President's FY05 emergency supplemental appropriations request is to reimburse the Department of Defense for expenses incurred in conducting operations during the immediate natural disaster's aftermath.

Despite these numbers, a good deal of other donation-specific data is not quantifiable. It is difficult to tabulate exactly how much money the U.S. provides through an open immigration policy. It is difficult to sum up how much money individual Americans give to their church or synagogue, which in turn helps out needy families and causes around the world. It is also nearly impossible to compare with other donors, such as the EU and Japan, because data necessary to make equivalent comparisons is not easily attainable or even recorded.

Official U.S. Foreign Aid Increased During Past Decade

By nearly all measures, the amount of foreign aid provided by the United States declined for several decades, but has grown in the past few years. Total foreign assistance (but excluding Iraq reconstruction) for FY 2003-2005, in real terms, has been larger than any three-year period since the early 1990s.²⁰ Since 1998, the pattern for the U.S. has been one of steadily higher annual real increases in ODA disbursements.

²⁰ Congressional Research Service, "Foreign Aid: An Introductory Overview of U.S. Programs and Policy," January 19, 2005.



Source: OECD²¹

While ODA disbursements for most other donors have also grown from year-to-year beginning in 1999, the size of the U.S. annual percentage increase has been larger, compared with every donor in each year, other than Japan in 1999, the United Kingdom in 2000 and France in 2002. Notably, the United States was also the only country of those listed in the chart below that did not have a percentage decrease in ODA during the same time period.²²

% Increase in ODA \$ Volume for Selected Countries						
	1998	1999	2000	2001	2002	2003
U.S.	26.5%	2.6%	6.7%	12.4%	15.0%	20.4%
Japan.	22.6%	26.4%	-15.1%	-16.6%	-1.2%	-9.2%
U.K.	8.6%	-12.0%	37.9%	4.4%	10.0%	14.0%
France	-8.7%	2.1%	-16.3%	3.6%	22.1%	8.7%
Germany	-4.2%	2.2%	5.9%	8.0%	-0.2%	5.3%

Source: CRS based on OECD data

Overall Non-U.S. Donor Aid Decreased During Past Decade

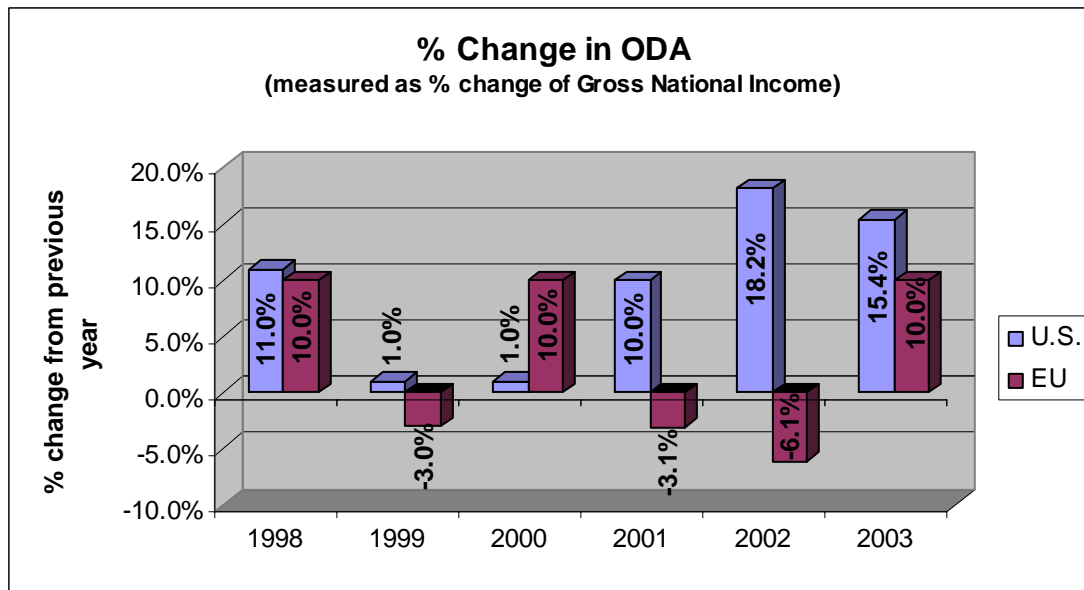
Interestingly, when the same non-U.S. donors are compared using increases/decreases of ODA as a percent of Gross National Income (GNI), most donors during the 1990s trend downward.²³ Since 1999, the U.S. has far outpaced the European Union in ODA, based on assistance as a percentage of GNI.²⁴

²¹ OECD, "Table 8 - ODA by Individual DAC Countries at 2002 Prices and Exchange Rates," *Statistical Annex of the 2004 Development Co-operation Report*, available at: www.oecd.org/dac/stats/dac/dcrannex

²² CRS Memo, "Annual Trends in Official Development Assistance for the United States and Selected Donors," February 10, 2005.

²³ CRS Memo.

²⁴ CRS Memo.



Source: CRS based on OECD data

U.S. is Largest Contributor to Major International Organizations

The U.S. is the single largest contributor to all of the major international development organizations, including the United Nations itself.

United Nations: In 2004, the U.S. contributed 22 percent of the U.N. budget or \$362 million.²⁵ Japan, the second largest U.N. budget contributor, spent \$321 million or 19 percent. Germany, France, and the United Kingdom combined spent \$343 million or 21 percent.²⁶ Approximately the same contributions were made in 2003 for all these countries.

World Food Program (WFP): In both 2003 and 2004, the U.S. contributed more than \$1 billion to the WFP.²⁷ That amount is more than five times the amount of the European Commission, the second largest WFP contributor. Of the 72 countries that contributed to the WFP in 2003, the U.S. share was more than 50 percent of all contributions. Of the 70 countries that contributed to the WFP in 2004, the U.S. share was nearly 50 percent of all WFP contributions.

U.N. Children's Fund (UNICEF): In 2003, the U.S. contributed \$288 million, and an additional \$35 million was provided in private-sector contributions, making the overall U.S. contribution \$323 million.²⁸ Japan's contribution was \$219 million, U.K.'s overall contribution was \$150 million, Netherlands was \$119, Sweden's was \$110 million, and France's \$50 million.

²⁵ CRS, "United Nations System Funding: Selected Issues," January 4, 2005.

²⁶ CRS, January 4, 2005.

²⁷ World Food Program, "WFP Donors, 2004," http://www.wfp.org/appeals/donors_list/2004.html.

²⁸ UNICEF, "2003 Annual Report: Total UNICEF Income By Source of Funding, 2003," <http://www.unicef.org/about/annualreport/index.html>.

U.N. Development Program (UNDP): In 2003, the U.S. contributed 15 percent of the UNDP budget or \$194 million.²⁹ Japan's overall contribution was \$174 million, U.K.'s overall contribution was \$151 million, and Norway's was \$150 million.

Conclusion

While U.S. ODA reflects the generosity of the American people, it is important to ensure assistance is effective; we cannot afford to just throw money at problems. Measuring foreign aid in relation to GDP does not include all assistance (direct, indirect, military, multilateral) and does not measure effectiveness. The United States strives to ensure that foreign assistance is effective, is distributed to those that need it the most, and is making a difference. Examples of U.S. initiatives to achieve such ends include the Millennium Challenge Corporation and the Global AIDS Initiative.

International organization officials and European leaders point to public foreign aid as a measure of generosity while failing to recognize the role of private giving — a reflection of a European preference for government programs. As USAID recently found, official U.S. government aid has been displaced by a rising tide of private giving with significantly lower transaction costs, more client-directed services, and more willingness to cede ownership to recipients.”³⁰

Though foreign aid will likely remain a part of the U.S. budget for some time to come, Dr. Carol Adelman, a senior fellow at the Hudson Institute, rightly argues that private giving meets a more effective ‘market test.’³¹ If there is a demand (need for foreign assistance), the market will supply (American generosity) the necessary resources. As Dr. Adelman has noted, “[Americans] prefer people-to-people programs over government-to-government programs, since they are more direct, nimble and quick.”³² Further, as the Internet provides ease of transaction for charitable giving, and the public's demand for transparency and efficiency is met by private organizations, the percentage of private contributions of overall foreign aid will likely continue to increase.

²⁹ U.N. Development Program, “Annual Report,” 2004. See <http://www.undp.org.np/publications/ar2004/>.

³⁰ U.S. Agency for International Development, “Foreign Aid in the National Interest,” July 2003.

³¹ Carol Adelman, “How the U.S. Shares Its Bounty with Those in Need,” *San Diego Union Tribune*, January 9, 2005.

³² Carol Adelman and Jeremiah Norris, “United States Is Not ‘Stingy’ on Foreign Aid,” *American Outlook Today*, December 31, 2004.